

# DUSIT THANI PLC

No. 63/2022  
20 June 2022

## CORPORATES

<b>Company Rating:</b>	BBB-
<b>Issue Ratings:</b>	
Senior unsecured	BBB-
Hybrid	BB
<b>Outlook:</b>	Negative

Last Review Date: 14/10/21

### Company Rating History:

Date	Rating	Outlook/Alert
28/08/20	BBB-	Negative
27/03/20	BBB	Alert Negative
17/12/19	BBB	Stable
27/12/11	BBB+	Stable
15/10/10	A-	Negative

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## RATIONALE

TRIS Rating affirms the company rating on Dusit Thani PLC (DUSIT) and the ratings on DUSIT senior unsecured debentures at “BBB-”. At the same time, TRIS Rating assigns the rating of “BB” to DUSIT’s proposed issue of up to THB1 billion and an additional greenshoe portion of up to THB500 million hybrid debentures. The ratings on DUSIT’s hybrid debentures are two notches below the company rating. This rating differential reflects the subordinated nature of the hybrid debentures and the option of the issuer to defer coupons on a cumulative basis. Proceeds from the new debentures are intended to be used to refinance DUSIT’s maturing debt and fund business operations.

The ratings reflect our expectations concerning DUSIT’s elevated leverage over the next few years, due primarily to the large investment required for the development of the “Dusit Central Park” project. The rating outlook remains “negative”, reflecting the associated project risks, primarily the COVID-19 induced, construction delay, and cost overrun. Another key risk is the progress of residential sales. If slower than expected, DUSIT will need other sources of funding, potentially additional debt, to fund the project. Furthermore, vulnerable macroeconomic conditions and inflationary pressure add to concerns over DUSIT’s business recovery prospects.

DUSIT’s operating performances in 2021 and the first quarter of 2022 were in line with our expectations. Revenue was THB2.6 billion in 2021 and THB936 million in the first quarter of 2022. The company reported negative earnings before interest, taxes, depreciation, and amortization (EBITDA) of THB209 million in 2021, which improved to a positive figure of THB101 million in the first quarter of 2022. Adjusted debt at the end of March 2022 was THB12.5 billion. DUSIT’s hotel operating performance should improve gradually alongside the lifting of travel restrictions, particularly in Thailand. However, economic headwinds fueled by inflationary pressure, and absence of demand from Chinese and Russian travelers could lead to a slow recovery pace in hotel business. Food and education business performance should improve with the resumption of normal classroom learning and less remote learning.

We assess DUSIT’s liquidity to remain manageable over the next 12 months, with an expectation of DUSIT to prudently manage its liquidity and preserve sufficient cash to weather adverse operating conditions.

DUSIT’s sources of funds comprise cash and cash equivalents balance of THB1.6 billion as of the end of March 2022, fund from operations estimated at THB100-150 million, available project loan for the “ASAI Sathorn” project THB179 million, and proceeds from the new debenture issue of up to THB1.5 billion. Funding sources related to the Dusit Central Park project includes cash to be received from retail bare-shell installment as per the development contract of THB571 million, project loan totaling THB 5.5 billion of which the company plans to drawdown around THB1.7 billion over the next 12 months, and customer deposits for residential sales estimated to be THB0.5-1 billion. The primary uses of funds comprise scheduled debt repayments of THB2.3 billion, lease obligations of THB255 million, and capital expenditures and investments of around THB3.7 billion.

The main financial covenant on DUSIT’s debt obligations requires maintenance of a net interest-bearing debt to equity ratio not exceeding 3 times. At the end

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Credit Updates are part of TRIS Rating’s monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

of March 2022, the ratio was 1.22 times. Given the propensity of its debt to equity ratio to increase significantly over the next few years, we expect DUSIT to actively manage its financial position to remain in compliance with the financial covenant.

## RATING OUTLOOK

The “negative” outlook reflects the risks associated with the development of the Dusit Central Park project, primarily the delay of construction, cost overrun, and the progress of residential sales. In addition, vulnerable macroeconomic conditions and inflationary pressure add uncertainty over DUSIT’s business recovery.

## RATING SENSITIVITIES

The outlook could be revised to “stable” if DUSIT’s operating performance steadily recovers and the DUSIT Central Park project progresses as planned. A rating downgrade could occur if DUSIT’s financial metrics is materially weaker than forecast, either from delay in business recovery and/or the progress of the DUSIT Central Park project and the residential sales are significantly slower than expected, and/or its liquidity position deteriorates materially.

## RELATED CRITERIA

- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Hybrid Securities Rating Criteria, 28 June 2021
- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019

## Dusit Thani PLC (DUSIT)

<b>Company Rating:</b>	BBB-
<b>Issue Ratings:</b>	
DUSIT237A: THB1,000 million senior unsecured debentures due 2023	BBB-
DUSIT23DA: THB1,000 million senior unsecured debentures due 2023	BBB-
Up to THB 1,000 million subordinated capital debentures and additional greenshoe portion of up to THB 500 million	BB
<b>Rating Outlook:</b>	Negative

## TRIS Rating Co., Ltd.

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